

# **KENTUCKY DEPARTMENT OF EDUCATION**

## **STAFF NOTE**

### **Review Item:**

Budget Reduction Update and 2010-2012 Biennial Budget Process

### **Applicable Statute or Regulation:**

KRS Chapter 48; KRS 156.029(7); KRS 156.070

### **History/Background:**

***Existing Policy.*** KRS Chapter 48 provides statutory guidelines concerning the biennial budget process relative to the development of the operating and capital budgets. Beginning with the Six-Year Capital Improvement Plan process, through the Agency Budget Request, Executive Budget Recommendation, and Enacted Budget biennial processes, the Kentucky Department of Education, with the approval of the Kentucky Board of Education, will be continuously involved in the consideration and development of the 2010-2012 biennial budget.

The Six-Year Capital Improvement Plan process begins with the agency preparation and submission of capital improvement plan requests to the Capital Planning Advisory Board (CPAB) by April 15, 2009. The two-year agency plan changes to the six-year capital plan are considered by the CPAB in public hearings and prioritized in the State Capital Improvement Plan by November 1, 2009.

### **Policy Issue(s):**

***Current Budget Reductions.*** The first FY 2009 budget reduction of \$1,343,600 in July 2008 was achieved by delays in filling position vacancies. Both the monitoring of state and federal programs, along with support for local school districts, are negatively affected by this initial reduction.

The 2009 Regular Session of the General Assembly enacted House Bill 143, amending House Bill 406, the biennial budget as enacted by the 2008 General Assembly, in response to a projected General Fund revenue shortfall of \$457,347,000 in fiscal year 2008-2009. HB 143 instructs the Governor to determine appropriate budget reductions. The Governor's Office of Policy and Management has advised KDE to reduce non-SEEK expenditures by 2%, or \$7,073,000. Some exemptions from appropriation reductions were included, such as: Health Insurance, Teachers' Retirement System, Support Education Excellence in Kentucky (SEEK), and Family Resource and Youth Services Centers (FRYSC). HB 144 was also enacted to produce additional revenue from cigarette and alcohol taxes, estimated at \$52.2 million for FY09.

HB 143 originally contained the following problematic language: “Any language provision that expresses legislative intent regarding a specific appropriation shall not be reduced by a greater percentage than the reduction to the General Fund appropriation for that budget unit.” This language would have restricted the implementation of the previously proposed 2% General Fund budget reduction plan of \$7,073,000, where originally, with no SEEK reductions, most of the reduction of \$6,088,100 would be applied to the textbook program. However, KDE has requested legislative relief on this issue by requesting budget cleanup language to implement the textbook program reduction plan that is part of HB 433. KDE will update the board on the outcome of this request and on the final outcome of the budget at the April meeting.

***Biennial Budget Planning.*** The Department of Education and the Kentucky Board of Education will continue planning for the 2010-2012 biennial budget cycle. The KDE budget staff has initiated continuing biennial budget process development meetings between the Division of Budgets and each program office in the agency. These meetings facilitate financial, programmatic, budget development, and budget implementation discussions, that serve as the foundation for full disclosure to internal program leadership of current and future resource availability.

**Impact on Getting to Proficiency:**

Sufficient funding for education programs is essential for all students to achieve academic proficiency.

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Deputy Commissioner

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Interim Commissioner of Education

**Date:**

April 2009